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November 7, 2016

Mayor Noon and Members of City Council:

I am pleased to submit for your consideration the 2016 Revised and 2017 Annual Budgets. As required by the Centennial Home Rule Charter and the Colorado Local Government Budget Law, each Fund in the 2016 Revised and 2017 Annual Budgets is balanced.

This document constitutes the legal authority of the City to appropriate and expend public funds. It also serves as a communications and operations guide for the City by detailing service levels, projects, and programs that are in line with policy direction from City Council. The focus of the 2016 Revised and 2017 Annual Budgets, as in the past, is continuous improvement of the City's goal to operate as effectively and efficiently as possible.

#### **The 2016 Revised/2017 Annual Budget Process**

The budget process is an ongoing effort of strategic planning, monitoring of revenues and expenditures, Budget Committee review, and Council allocation of resources that concludes with Council's adoption of the current year revised and upcoming year budgets. This process matches desired service levels and anticipated expenditures with projected revenues.

Throughout the year, Staff monitors expenditures and revenues to identify needed amendments or changes from the adopted budget. We work with Council through budget workshops, policy discussions, supplemental budget appropriations, and Budget Committee meetings to provide the City opportunities to revise the adopted budget as the need arises.

#### **Strategic Planning**

The 2016 Revised/2017 Annual Budgets reflect ongoing strategic priorities of the City, as well as policy direction provided at workshops held in March, April and September. In developing the 2016 Revised and 2017 Budgets, Staff incorporated Council's direction from each Workshop and will continue to proceed forward with planning and implementation efforts of these priorities. Discussed below are some of the priorities included in the 2016 Revised/2017 Annual Budgets.

- Increased funding dedicated to the Street Rehabilitation and Neighborhood Traffic Management programs, allowing for accelerated rehabilitation and more work on streets in the 0-30 Pavement Condition Index category;
- Funding for five additional snow plows and related snow/ice control materials to improve service levels on Priority 1 and 2 snow routes;

- Funding for alternative service delivery of snow plowing on Priority 3 snow routes to improve service levels;
- Funding for the Intelligent Traffic System (ITS) Master Plan, shifting the City's approach for traffic management from reactive to proactive;
- Approval of funding for the Information Technology (IT) Systems Upgrades project as well as other IT services; and
- Approval of two (2) full-time positions in the Office of Technology and Innovation.

In addition to the strategic priorities included in this document, I have worked with Staff and Council to examine and improve our core competencies and programs. The City's core services remain intact, focusing on innovation and customer service, and we strive to further improve services.

#### Centennial Budget Committee

The Centennial Budget Committee (CBC) is comprised of the Mayor, one Council Member, three citizen representatives, the City Manager, and the Finance Director. The CBC convenes several times during the year to review specific program areas of the City, City finances, revenue projections, departmental budgets, and proposed decision packages for the current and upcoming years. As a result of these meetings, the citizen members of the CBC provided comments and recommendations to Council. Highlights of the comments and recommendations made to Council include:

- The citizen members of the CBC are satisfied with information received during the 2016 Revised/2017 Budget process; the citizen members believe the City is well positioned financially and the budget process serves the City well.
- The General Fund fund balance and current revenue estimates will allow City Council to make further investments to improve service levels in key areas including Public Safety, Public Works and overall business climate. The CBC recognized Council's decisions to fund additional snowplowing and snow removal services.
- The General and Capital Improvement Fund's fund balances and revenue levels have allowed the City to continue investing in critical, long-term infrastructure projects, including the street rehabilitation program.

#### Decision Packages

In September, the City Manager's Proposed Budgets were presented with decision packages for Council consideration and reflected the results of operational adjustments suggested by Staff and contractually required changes. Council provided concurrence on the inclusion of the following major items in the 2016 Revised/2017 Annual Budgets, among others.

#### *General Fund:*

- Funding for additional printing and marketing materials for City special projects;
- Project specific for Economic Development, including consultant resources;
- Roadside maintenance funding to be programmed by the Median Subcommittee;
- Funding for more efficient maintenance and repairs of the County Line Fence; and
- Funding for IT outsourcing services and consultant expertise to support the Office of Technology and Innovation.

#### *Open Space Fund:*

- Funding for maintenance of Parker Jordan Open Space, Centennial Center Park and other parks, trails, and open space;
- Project management funding for the support and implementation of Open Space projects;
- Funding for one-time projects and repairs to Centennial Center Park;
- Funding for Lone Tree Creek Trail;
- Various City-wide neighborhood as well as regional park improvements; and
- Funding for construction to enhance neighborhood trail connections.

#### *Conservation Trust Fund:*

- Funding for Centennial Center Park operations and maintenance, custodial services, water and other maintenance and repairs.

### **2016 Revised / 2017 Annual Budgets**

#### 2016 Revenues

Revenues have been revised to \$86.1 million, an increase of \$6.1 million (7.6%) overall from the 2016 Adopted Budget. This increase is largely due to better than anticipated Sales Tax, Building Materials Use Tax, Highway User Tax Fund, Automobile Use Tax, and Other Contributions revenues. The increase in Sales Tax revenue is the result of new businesses in and out-of-City and the compliance program (including sales tax audits and licensing). The City also received higher than projected revenues for Building Materials Use Tax as a result of large construction projects around the City. Automobile Use Tax has increased as the auto industry continues to see growing consumer demand for new vehicles. Finally, the City received more revenue than expected from grants and other contributions for projects during 2016. These funds are for several projects, including Arapahoe Road - Waco to Himalaya reconstruction, Dry Creek light rail station, Arapahoe Road Study, and Yosemite sidewalk project.

#### 2016 Expenditures

Expenditures have been revised to \$132.8 million, an increase of \$49.9 million (60.2%) from the 2016 Adopted Budget. The increase is primarily due to grant and carryover funding in the capital improvement program; specifically the 2016 Revised Budget includes carryover funding for the

Capital Improvement Fund (\$32.1 million) and Open Space and Conservation Trust Funds (\$2.2 million).

### 2017 Revenues

Revenues are expected to increase \$2.3 million (2.9%) from the 2016 Adopted Budget. Sales tax revenues have trended upwards and the City has seen an overall increase from new retailers in the City. The City is also projecting an increase in Highway User Tax Fund revenues based upon projections of the 2017 distribution.

### 2017 Expenditures

2017 expenditures increased \$3.2 million (3.9%) from the 2016 Adopted Budget. The increase in expenditures is primarily due to funding in the 2017 Proposed Budget for one-time capital projects as well as the system upgrades project within Office of Technology & Innovation. Further detail for expenditure changes is provided in the Executive Summary section of the budget document.

### Staffing and Benefits

Two (2) additional Full-Time Equivalent (FTE) positions are included in the 2016 Revised Budget. The positions are a Database Administrator and Application Specialist within the Office of Technology & Innovation supporting the IT Systems Upgrade project. The Database Administrator will be responsible for maintaining and integrating enterprise-wide databases used by the organization. As new systems are brought online, this position will be responsible for ensuring the accessibility, quality, integrity and security of City-wide data and database systems. The Application Specialist will be responsible for supporting the implementation of key operational software systems that will be replaced over the next three years, as well as providing ongoing support for all City Information Systems inclusive of the new implementations. In addition to those specific projects, this position will be the first line of ongoing systems modifications, enhancements and systems integrations.

For additional information regarding City Staffing, see the Organizational Chart and Staff Resources Summary by Position in this budget document.

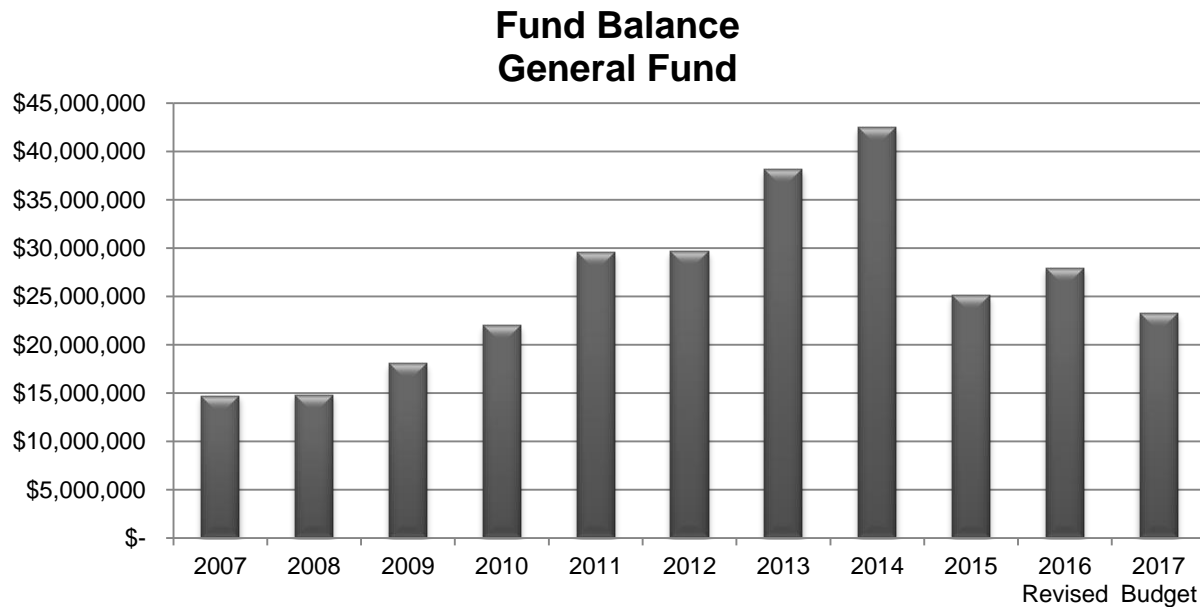
### Fund Balance

A significant part of the fiscal strength of the City is owed to the healthy fund balances of the City. Since 2015, it is the policy of the City to maintain a General Fund fund balance of at least 25% of General Fund expenditures and transfers and transfer amounts in excess of 35% to the Major Capital Project Reserve in the Capital Improvement Fund.

In the past, the City has maintained a fund balance above that amount. This budget is no exception. Although we anticipate the 2017 General Fund fund balance to decrease by \$4.7 million, for a total fund balance of \$23.2 million, this represents 31.6% of the General Fund expenditures and transfers.

The City's debt policy states that the City will maintain outstanding debt limits at levels consistent with City Council direction. Following Council direction, major capital projects are funded with the use of cash, and as a result, the City remains debt-free. The City anticipates funding several major capital projects in upcoming years, which will significantly affect the General Fund fund balance. For example, the 2016 Revised Budget includes a total of \$13.3 million in the Major Capital Project Reserve and the 2017 Budget includes an additional \$0.7 million in the reserve.

The General Fund fund balance trend since 2007 is shown in the following chart:



### Capital Improvement Projects

In addition to the changes in operating expenditures highlighted above, I would like to highlight several major capital projects included in the 2016 Revised/2017 Annual Budgets. Several major projects in the City are underway, and the funding for these projects carried over from 2015. Some of the Capital Improvement Projects included in the 2016 Revised/2017 Annual budgets are described below.

- *Quincy Avenue Widening:* Funding is included for the widening of Quincy Avenue at Flanders in partnership with the city of Aurora.
- *County Line from University to Broadway:* The first of three City contributions to the Douglas County-led widening of County Line Road to four lanes.
- *Dry Creek at Interstate 25:* Funding for a multi-use path for the crossing and improved connections to the light rail station.
- *Dry Creek and University:* Funding for improvements to pedestrian crossings at the intersection near Arapahoe High School.

These projects represent the strategic priorities of the City, including improving and maintaining infrastructure, improving safety and quality-of-life within our neighborhoods, and prudent fiscal management for future major capital projects.

### **Conclusion**

I would like to extend my thanks to the Mayor and City Council Members who worked tirelessly in providing policy direction in the development of this document. I would also like to express my gratitude to the members of the Centennial Budget Committee for volunteering their time to serve the City of Centennial. Finally, my thanks to the Staff members and City partners who assisted with the development and preparation of the 2016 Revised/2017 Annual Budgets.

The 2016 Revised/2017 Annual Budgets reflect the alignment of City operations with the strategic goals of our citizens and the City Council. Staff will continue to examine business strategies and core competencies to ensure the City is managed in the most effective and efficient manner possible.

The success of our City is no accident, and this document reflects the deliberate planning and action that guides our operations. I am pleased to recommend the adoption of the 2016 Revised/2017 Annual Budgets by the City Council.

Respectfully Submitted,

*Elisha Thomas*

Elisha Thomas  
Interim City Manager